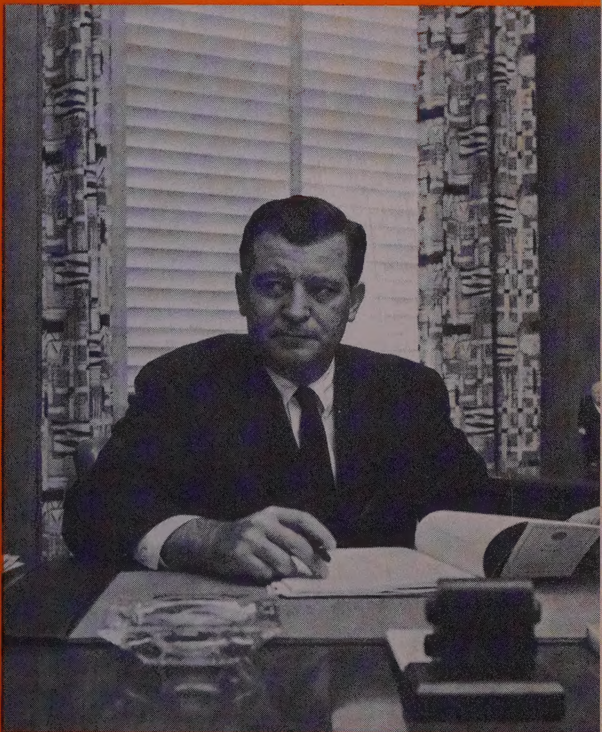
Investor's Reader

ovember 25, 1959

For a better understanding of business news



JOHN COATES
ILDS WITH MORE
MASONITE BOARD
(see page 12)

GAM GAMBOL

The sheer stocking inspected by this young lady represents one of the biggest revolutions in the hosiery business—namely the switch from seamed into seamless hosiery. In 1952 seamless stockings accounted for only 13% of the total hosiery market; last year they came to a hefty 39% and by September of this year seamless sales were as high as 45% of the total. For seamless hosiery manufacturers this meant a $23,700,000 volume last year and an estimated $30,000,000 sales this year.

Biggest beneficiary is the family-owned Hanes Hosiery Mills Company of Winston-Salem, NC, No 1 maker of seamless stockings (the only type it makes). Through its extensive advertising and merchandising campaigns Hanes has been largely responsible for the popularity of seamless hosiery —a construction first made possible by du Pont's introduction of nylon in 1940. Hanes has run on a triple-shift, six-day week for the past year, has embarked on a $27,500,000 expansion to double capacity to 100,000,000 pairs annually in five years.

The machines on which 57-year-old Hanes (the company was founded by the grandfather of current president Gordon Hanes) knits its hosiery are made by Scott & Williams Inc of Laconia, NH, the seamless boom's key beneficiary in the machinery field. S & W also makes machinery for other knit garments. Last year the general recession dropped S & W net income 32% to $2,100,000 or $3.54 a share. But with machinery demand on the rise again S & W president Dr Richard Henry Whitehead expects 1959 earnings "somewhere between the 1958 level and the $5.19 a share earned in 1957."

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Investor's Reader

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ividends Race Toward New Record

Corporate Payments In Big Uptrend But Pace Slackens

IOST EVERY DAY brings news of a handful of companies ich have decided to boost their idend rate, make an extra cash tribution or otherwise provide a ger return for their happy stock-ders. All told, payouts by US porations are headed toward a ord $13 billion, a 5% increase er recession-scarred 1958 in which idend payments dipped below preceding year for the first time ce 1951 (the present record is 2.5 billion in 1957).

From all signs, 1960 should be l better. With unusual frequency ious top executives have con-ed they would consider dividend osts (or, in a few cases, resump-ns) within the next few months. addition many of the large steel npanies which before the strike re considered good prospects for more liberal payments by the end of this year may be ready to act some-time in 1960.

Not that the average investor can complain about 1959. Along with the sharp business recovery, the year brought solid dividend improve-ments right from the start. According to the New York Stock Exchange, 928, or more than 85% of the 1,086 common stocks listed as of the end of September, paid cash dividends this year. The Big Board companies paid out a record-break-ing $6.7 billion in the first three quarters, 5.4% more than in the same period last year. In fact the Big Boarders probably did slightly better than industry as a whole.

However, gains both on & off board over year-earlier levels have slowed of late. Statistical surveyor Standard & Poor's Corp noted Octo-ber dividend actions "while continu-ing overwhelmingly on the favorable side, reflected the more restrained

optimism of directorates induced by the prolonged steel strike." Besides, the present figures must stand comparison with the exceptionally strong final quarter of 1958.

Thus Standard's tabulated 116 extra dividends declared in October *v* 103 a year ago for "one of the smallest percentage gains thus far this year." It further noted a tendency "in some cases * * * to defer dividend increases until next year or to be less liberal with extras." In sum: "The closing months will still be a bountiful period for shareholders, but will fall somewhat short of earlier expectations."

Split Image. Realized or anticipated, many of the gains have come along with stock splits. Almost 100 Big Board and dozens of other stocks have split 2-for-1 or better this year. And in most cases the splits have spelled higher pay for stockholders in one way or another. Sometimes the old rate was hiked before the split took effect; in July Eaton Manufacturing upped its old quarterly from 75¢ to 90¢, at the same time announced a 2-for-1 split effective October. Other times the higher rate starts with the new stock; Dana, which paid 75¢ quarterly before the October 2-for-1 split, will pay 50¢ on the new shares next month for a 33% boost.

Among other examples of split & treat are Baxter Labs, Allied Chemical, General Outdoor Advertising, Fairchild Camera, Haloid Xerox, Pennsylvania Glass Sand, American Machine & Foundry, Mohawk Rubber, US Playing Card and hardware maker Stanley Works.

Next month stockholders of pain maker Sherwin-Williams will vote o a proposed 2-for-1 split. So far n action has been taken on increasin the dividend but most Wall Streete expect a boost on the new shares a ter the first of the year. Stockholde of Mercantile Trust Company of S Louis will vote on a proposed 2-for- split January 8 and chairman Sidne Maestre announced "the directo propose to pay quarterly dividend at the rate of 45¢ starting with th payment due April 1, providing th economy at the time has not mat rially changed the bank's earnin capacity." This would be equal t 90¢ on the old shares *v* the previou rate of 75¢ quarterly.

Straight Stuff. Of course man companies boosted their rates with out the special incentive of splits o stock dividends. New York Air Brak hiked the quarterly dividend to 40 from the previous rate of 25¢. IBM raised its dividend a dime to 60¢ International Silver holders wil pocket 75¢ a share next week, doubl the previous quarterly rate. Interna tional Harvester stockholders will re ceive an additional dime startin with the January payment. Whirl pool Corp has just returned to a 35¢ quarterly rate after a year and a half at 25¢.

Among others to raise their divi dends are Dow Chemical, Stauffer Chemical, Scott Paper, finance com pany James Talcott, Western Auto Supply, Standard Brands, US Rub ber, CBS, and retailer Marshal Field.

Other companies maintained thei regular rates but added a year-end

extra or similar special distribution. For instance, reflecting better times among textilers American Enka voted a year-end extra of 75¢. Rayonier, which raised its August payment a dime to 20¢, continued this rate at the October dividend meeting and tacked on 3% in stock. American Zinc declared its usual $12\frac{1}{2}$¢ quarterly, also added a 3% stock dividend. Ford Motor declared its first extra dividend since it became publicly held—60¢ payable next month.

Three extra-paying drugmakers: Warner Lambert declared a 15¢ extra; American Home Products which pays 30¢ each month will shell out a 40¢ extra next week; Bristol-Myers which has just come out with a new synthetic penicillin called Syncillin will pay a 10¢ extra December 1.

Other companies which voted year-end extras were Bohn Aluminum (25¢ after just resuming its 25¢ quarterly in March), Maytag (50¢ extra plus the regular 50¢ quarterly), Simmons (60¢ extra *v* no extra last year), Dennison Manufacturing (30¢ *v* no extra last year and the same extra as in 1957).

Some companies combined raises in their regular rate with extras as well. Boston's blue blade Gillette Corp voted a $37\frac{1}{2}$¢ extra *v* 25¢ last year and an increase in the quarterly to $62\frac{1}{2}$¢ *v* 50¢. Even more encouraging to stockholders, president Boone Gross remarked: "The new regular dividend rate does not exclude the possibility of year-end extra dividends if justified by earnings in future years and by the company's cash situation." Another company to raise its quarterly and declare an extra: Minneapolis-Honeywell which tacked on a dime to the regular 40¢ quarterly and added a 40¢ extra. Libbey-Owens-Ford, which has also voted two dividend hikes during the year (see page 6), declared a year-end extra of 50¢. Other companies which hiked their quarterlies and at the same time offered extras include American Radiator & Standard Sanitary, Sterling Drug, five & dime specialist G C Murphy, Royal Bank of Canada, Revere Copper, Timken Roller Bearing.

Lower Life. As at all times, the widespread dividend expansion is punctuated by some adverse reports. For example, "because of the drastic reduction in the rates of the Cuban subsidiary imposed by the Cuban government" American & Foreign Power halved its dividend to $12\frac{1}{2}$¢. Likewise Vertientes-Camaguey Sugar cut its yearly handout back to $1 from $1.27 last year.

Some companies passed the dividend altogether. These include South American shipper Moore-McCormack which omitted the usual fourth quarter dividend because of the world-wide shipping recession and West Indies Sugar which after paying 25¢ in the first three quarters of this year skipped its December dividend.

There were often crosscurrents in certain industries. Hard hit by commercial writeoffs Douglas Aircraft passed its usual December payment for the second quarterly omission in a row. On the other hand, small craft maker Cessna split 3-for-1, boosted its 1959 payout to $2.40 from $2.

Probably the most striking con-

trasts were in the steel industry. The big steelers maintained their regular quarterlies despite third quarter losses but there were none of the raises which had been anticipated earlier in the year. One major exception: No 11 producer Wheeling Steel which back in August voted to boost its quarterly rate to 75¢ from 50¢. The higher return undoubtedly made the stock more appealing to Wheeling's 3¾% convertible debenture holders who could switch into the common at $57.50 a share through November 16; now the conversion price has jumped up to $62.50.

Many of the smaller steelmakers which worked through the strike however were able to make some notable offerings. Specifically, Detroit Steel declared a 25¢ extra in addition to the regular 25¢ quarterly. Atlantic Steel paid its first dividend in two years with a 30¢ handout in October. Carpenter Steel split 2-for-1, raised the dividend on the new shares to 30¢ from a comparable rate of 25¢ and voted a 45¢ extra. And according to president Edmond P Severus, directors of Continental Steel will next March recommend a 2-for-1 split and an increase in the current 50¢ quarterly.

There were also crosscurrents among the railroads. The Erie, which has not paid a dividend on its common since September 1957, last month also deferred on the 5% A preferred. Likewise the New York Central passed its common dividend for the eighth straight quarter. On the other hand, coal carrier Norfolk & Western formally voted a 10¢ increase to $1 a quarter plus a $1 extra. Commented president Stuart Saunders: "The increase in the regular dividend was deemed advisable because of the impending merger [with the Virginian next month] and the board's confidence in future earnings of the combined companies." Also on the plus side was the Atlantic Coast Line which will pay a 50¢ extra December 10.

If there is gloom in some quarters it is far outshined by the joy in others including dividend resumption by such companies as Loew's and Fruehauf Trailer. Next month Pepsi-Cola bottler Powdrell & Alexander will make its first payment since 1951 and newly merged Kayser-Roth Hosiery has announced a 3-for-1 split and a 30¢ initial payment on its new common. Textiler Berkshire Hathaway, which had last paid in June 1957, paid 10¢ this June, raised it to 12½¢ in September and will hand out 20¢ in the last quarter.

The future may hold a number of possible good tidings. Chicago Pneumatic Tool "may supplement its regular $1 a share annual with a larger year-end extra than the 12½¢ authorized in 1958 & 1957." W R Grace has noted it will "consider a stock dividend early in 1960." Bausch & Lomb president William W McQuilkin has indicated "directors will consider raising the quarterly from the 25¢ the company has been paying on its common stock." Further in the future, US Industries president John I Snyder "hopes" his company will be able to resume dividend payments next Summer. It last paid 15¢ cash and a 1% stock dividend in April 1958.

BUSINESS AT WORK

BANKING

Error Margin

THE VOLUME of bank holdups continues to rise but evidently the robbers are suffering from a squeeze on their "profit margin." The staid American Bankers Association reports the year ended August 31 brought 346 holdup attempts *v* 329 a year earlier. But vigilant bank employes managed to frustrate 78 of this year's attempts as against only 69 in 1958. And what in a legitimate enterprise might be termed the net profits (pre-tax, anyway) declined by some 12%. This year's total haul came to only $1,408,000 *v* $1,622,000 in criminal '58.

Pacific Northwest Champ

FOR THE FIRST TIME in its rich and exciting history the Pacific Northwest has a billion-dollar bank —the Seattle-First National. The institution crossed the mark with its latest official statement and had exactly $7,534,351.37 to spare. This ranks the bank among the low twenties in the nation and still ahead of $900,000,000-plus resources First National Bank of Oregon.

From his Seattle office board chairman Lawrence Arnold talked briskly on the long distance phone: "Naturally, all of us are elated—even these days one billion is a lot of money * * * bigger resources will permit us to further expand our services and facilities."

Seattle-First started in rip-snorting 1870 when a general storekeeper named Dexter Horton allowed trappers and traders to use his battered safe brought up from California by schooner. Over the decades Seattle-First has thrived on a mixture of sound banking, human warmth and the pioneer itch. Many big & little companies were launched with a Seattle-First loan. One example: Carnation (milk) Company with a small advance back in 1899.

These days the bank has 29 offices in the Seattle area, four in Spokane and more than two score throughout the rest of the state. Chairman Arnold, who is known as "Si" throughout the Northwest, joined Seattle-First after he got his diploma from Cornell in 1918. His father was a co-founder of the bank and this undoubtedly influenced his decision. Since then, however, the growth of the bank largely reflects the expansive, modern philosophy of Si Arnold.

A touch of this came three months

Billion dollar banker

ago when the bank declared a 2-for-1 stock split and a 25% stock dividend on the new shares. This raised the outstanding capital stock to 2,500,000 shares. As a matter of interest, this is the sixth stock dividend since 1941.

Based on the present tempo, operating profits for all this year should reach a new record of about $8,000,000 or $3.20 a share on the new stock. The latest dividend is payable January 4 at the rate of 37½¢ quarterly. These things undoubtedly please the bank's 5,250 stockholders (November count) since the stock trades in the over-the-counter market near its alltime high of 47.

Si Arnold is not a man to sit and count his first billion. Last week he busily probed into the future: "Of course, money is tight and we can always use more deposits * * * this area and north to Alaska is growing rapidly * * * we've done pretty well but we'll put more push behind branch expansion * * * as always we will stress young, energetic people to carry on this institution * * * it took us 15 years to double our business but I have an idea the next billion will come faster."

AUTO EQUIPMENT

Glass from Libbey-Owens

SIDE EFFECTS of the all-too-costly steel strike will make the last quarter of 1959 somewhat leaner than previously anticipated for Libbey-Owens-Ford Glass Company. But even so the No 1 glass supplier to the steel-starved auto industry expects to report by far the best earnings in 43 years of business.

This is evident from figures fo the first three quarters during whic the Toledo-based pane maker sha tered all previous full-year record with net income of $42,156,000 o $4.02 a share. This compares wit $11,092,000 ($1.06) earned in th comparable 1958 period and $21 445,000 ($2.05) for all last yea The previous full-year high of $36 046,000 or $3.47 a share was tallie in the uninhibited 7,900,000-ca year of 1955. Along with GM ca production, LOF profits slipped little each of the three followin years.

This year's earnings rebound ha been accompanied by a bulgin budget of other glad tidings fo LOF's 24,000 stockholders. Afte the 2-for-1 split last April the 10 500,000 new shares reached an all time high of 77 on the Big Boar last month, up from this year's ad justed low of 47. They currentl trade around 71. Directors hav upped the common dividend twic this year. They added a nickel at th April meeting and last month fat tened the payout by another dime t 60¢ a quarter, also voted a 50 year-end extra. This brings tota 1959 payments to $2.55 compare to $1.80 last year (both figures ad justed for the split).

This prosperity is a result of boom year for its two major cus tomers—autos and construction Since 1931 LOF has been sole pur veyor of all glass for General Motor cars. This one market alone ac counts for over half of LOF tota volume.

In the first three quarters of 195

lone LOF glassed over 2,000,000 GM cars *v* 2,169,000 for all of 1958. But of course the sharp cutbacks in GM production which started in October and which culminated with a complete stoppage early this month have cost LOF dearly in the current quarter.

While GM is the most important customer LOF also supplies glass to other auto and truck makers. Increased car production has naturally given a boost to LOF sales but the real long-term break comes from the glassier car. The 1959 models sport one-third more glass than their '58 predecessors and the '60s keep up the open style.

LOF also benefits from auto volume through its Liberty Mirror division which makes rear viewers as well as specialty mirrors for furniture and defense items.

Glass House. A look at Manhattan's Park Avenue or any other busily budding office area is convincing proof glass has become everything but the cornerstone in modern construction. LOF cuts an ample share of the new business. Its sales of window and polished plate glass as well as insulating "Thermopane" doubled in the first half of the year. One reason for the big gain: the 134-day strike at chief competitor Pittsburgh Plate Glass in the first quarter which brought a big boost in both auto and building pane business to LOF.

LOF's own union contract is recognized as one of the most solid in any industry. Since its 1946 strike the company has developed extremely sturdy labor relations and has negotiated a succession of contracts with only a few minor work stoppages.

Apparently LOF sees no let-up in glass demands. It earmarked $21,000,000 this year for capital expenditures. Some of this went for the purchase of 874 acres near Stockton, Cal. While the company has no "near future" plans for a Western factory, it acquired the property "in accordance with a long-range planning program to have land available should a flat glass plant become desirable." The company's present six-city operation extends only as far west as Ottawa, Ill and Shreveport. LOF will climax another expansion move next February when it moves into a 15-story glass-sheathed building in downtown Toledo. Thus it will have a self-contained exhibition hall for its gleaming products.

STEEL
Big Freeze

SOMETIME in the next three or four weeks the Great Lakes will freeze over and until the April thaws no more iron ore can move by ship from the Minnesota, Michigan and Ontario mines to the big Midwest steel plants.

This nature-imposed cooling-off period may prove more important than the man-made one which earlier this month recalled steel workers after their 116-day strike. In the remaining navigation time the steel companies must obtain most of their winter ore needs. Of course should the workers go out on strike again when the Taft-Hartley injunction ex-

pires January 27, the furious rush to beat the grip of winter will have proved simply an exhausting exercise.

However steelmen look with favor on their chances. When the workers returned to the mills there were some 57,000,000 tons of ore on hand in docks and furnace yards. Winter needs are estimated at only 65-to-70,000,000 tons. Thus if the Lakes freeze before total needs are filled steelmen expect to make up the difference by imports from abroad and rail shipments from Great Lakes and other mines.

Ore shipment is not easy. Since ore contains a high moisture percentage, in cold weather it must often be steamed loose from storage "pockets" before it can be loaded on board ship. During long freezing spells it cannot be moved at all. Also, the likelihood of shipping accidents increases in foul weather and consequently insurance companies automatically raise their rates December 1.

For East and West Coast companies ore supply is not too difficult. The US Steel Fairless Works near Trenton and the Bethlehem Steel Sparrows Point installation near Baltimore for example get their ore from South America. On the other shore California's Kaiser Steel is only a short rail run from its main source.

But steelmen figure the Chicago and Pittsburgh mills may find the going rough around late April. Conversely, as one steelman put it: "If there is no settlement, we'll have ore coming out of our ears."

OFFICE EQUIPMENT

Diebold Anniversary

JUST TWO WEEKS ago bank & office equipment maker Diebold Inc of Canton, Ohio (IR, Jan 22 1958) staged a festive dinner at Manhattan's continental Plaza Hotel to climax a year-long centennial celebration and mark its debut into the Hundred Year Association of New York. The brief formal remarks programmed between shrimp cocktail and roast beef dwelt mainly with reminiscenses of early Diebold days. But an informal chat with hosts Raymond Koontz, president of the $18,000,000-assets centenarian, and chairman Daniel Maggin highlighted a number of 1959 achievements which definitely look to the next hundred Diebold years.

Biggest anniversary news was the $3,000,000 acquisition in September of privately-owned Herring-Hall-Marvin Safe Company. This Hamilton, Ohio outfit brings Diebold a line of insulated files, hospital equipment and missile components plus devices for safeguarding cash. According to Ray Koontz it should "add $6-to-7,000,000 to our volume."

Other volume additions are due from a deposit of new products. This Summer Diebold added to its family of products for housing records a line of metal cabinets designed to handle and store cards and tapes used in data processing. Diebold derives about 45% of sales from office equipment, another 45% from bank business and 10% from service contracts on protective equipment. Equipper Koontz expects the new line will "contribute quite a bit

Association host Jim Farley with Diebold's Koontz and Maggin

to sales. We will be a principal factor in that field in 1960."

In the cash protection and bank equipment area, the company has done its best to keep a step ahead of enterprising burglars. It has a new proximity alarm for after-hour guarding of cash for supermarkets and other stores. The new device goes into action with the mere nearness of a person. For banks, the "perfect answer to bandits who present tellers with a 'give me cash or else' note" is another new device, details of which are kept classified to thwart would-be robbers who would thwart it.

This year's financial results have complemented the birthday festivities. In the nine months ended September net income rose to $1,200,000 or $1.88 a share from $1,070,000 ($1.76) in the corresponding 1958 period. For competitive reasons Diebold releases no sales figures as other bank equippers are privately held. For the full year Ray Koontz expects results will continue "better than last year" when the company earned a record $2.46 a share.

FINANCE
Money Momentum

WHILE IT ROLLED up its "second best" (next to 1955) nine-month results, auto giant General Motors towed subsidiary General Motors Acceptance Corp, which happens to be the nation's No 1 finance company, at a brisk pace. At the end of September, GMAC had $4.4 billion in receivables on its books *v* $3.7 billion at the same time last year. Retail instalment (customer financing) contracts purchased in the first nine months totaled $3 bil-

lion compared with $2.4 billion the year before; new wholesale accounts receivable (financing dealer inventories) came to $5.1 billion *v* $3.7 billion in the first nine months of 1958.

GM's steel-stalled production lines obviously mean less new GMAC business for the current quarter. But this may not greatly affect income which is largely derived from loans already outstanding.

But even the accelerated pace of nine-month production (98% of the dollar volume of GMAC receivables is automotive business) failed to overcome the pinch of tight money on the finance subsidiary's profits. Because of higher interest rates, nine-month net fell to $32,700,000 from $40,200,000 in 1958. But since the money squeeze was already noticeable in the last half of 1958, the year-to-year gap had narrowed in the most recent quarter with earnings of $10,900,000 for the September 1959 period *v* $12,200,000 the year before.

Just one example of the bigger money bill GMAC must foot to get the funds to lend auto buyers and dealers: in August it paid 5% on a $125,000,000 debenture issue; its last similar financing, a $150,000,000 offering in February 1958, sold with a 4% coupon.

However such money matters seem no deterrent to other automakers. In August No 2 automaker Ford set up Ford Motor Credit Corp to handle its own financing. And just last month Chrysler vp B J Nichols announced his company is "exploring the problems of entering the finance business should it become necessary to do so."

FOODS

Fruits for Duffy-Mott

APPLE PRODUCTS and baby foods make tasty fare for Manhattan's Duffy-Mott Company. Sales of the 117-year-old food processor hit a peak of $52,340,000 in the year ended August, 12% ahead of fiscal 1958. This marks the tenth consecutive sales record for Duffy-Mott whose volume has multiplied a healthy 2½ times since fiscal 1949, the earliest year in which figures are available.

Profits have also registered a satisfyingly consistent record, even in an industry blessed with assured demand. They reached $1,027,000 or $1.71 a share in fiscal 1959 *v* $929,000 last year and only $303,000 ten years ago.

The venerable company traces back to the 1842 founding of cider and vinegar processor S R Mott Company which merged with malt and cider maker W B Duffy in 1900. But the modern Duffy-Mott was not incorporated till 1914. And only last year did it become public with the sale of 229,000 shares, of which 120,000 were newly offered by the company. The rest were sold by the 107 previous Duffy-Mott stockholders.

The stock trades around 27 over-the-counter, up seven points from the offering price. But the market is extremely thin. Of the 600,000 shares now outstanding almost two-thirds are closely held. At last report president Harry Eugene Meinhold, the largest single stockholder, controlled 11%, other officers and directors 15% and the rest of the

original stockholders held another 34%.

Roughly one-quarter of total Duffy-Mott volume is spooned in by Clapp's baby food which was purchased from American Home Products in December 1953.

One of the pioneers in the baby food market, Clapp's had been steadily losing customers. Since the purchase, Duffy-Mott has expanded the line from 39 to 96 items and launched a hefty merchandising campaign. Now Clapp's is the fastest-growing item on the Duffy-Mott food shelf and president Meinhold reports it is regaining a healthy bite of the bib set market. The reasons: "We've done a thorough merchandising and marketing job in our distribution areas (mainly the Eastern seaboard)." Also Clapp's can undersell its competitors (usually a penny a jar) because "we don't give coupons or gifts to new mothers."

Last Spring two new items were added to the Duffy-Mott diet—combination fruit drinks AM and PM. States Gene Meinhold: "They are still a very small portion of total volume but we're very pleased with them."

Looking to the future the 54-year-old president who has been with the company for 35 years and served as president for the last ten sees a continuation of Duffy-Mott's progress by "increasing markets, adding new products and using the same aggressive policies that have helped us grow in the past." With only two months tallied in fiscal 1960 he reports sales "substantially ahead of last year."

BEVERAGES
Pepsi Proffers

WHEN 1959 is ushered out one month hence self-advertised "sociability" specialist Pepsi-Cola Company plans to toast its ninth consecutive year of record sales and an earnings uptrend almost as good. (There was one setback in 1956.) Treasurer Louis Nufer estimates 1959 sales at $155,000,000 *v* $136,800,000 and feels earnings will reach $2.10 a share compared with $11,500,000 or $1.88 a share in 1958.

The financial buoyancy has extended to the Big Board where the 6,360,000 Pepsi shares (appropriately known as PEP) have climbed to a high of 34, up eight points since early this year and just double the price of two years ago. The present level still is well short of the wishful postwar high of 40 in 1946;

Pepsi gets a lift

but in the meantime the stock repeatedly sold down around 8 in 1948-52.

With the recent rise in the stock, the 30¢ quarterly dividend offers only a 3.7% yield but there are rumors the payment (last raised two years ago) may be boosted ere long. The distribution now comes to less than 60% of estimated earnings. A 65-to-70% payout is considered conservative in the beverage field.

Bringing added flavor to the refreshing Pepsi sales jingle is Teem, a sparkling lemon-lime drink introduced in March. This latest Pepsi refresher is now marketed by 30 franchised dealers and will be distributed by 50 additional dealers next year. With Teem, Pepsi lustily keeps up the diversified drinking bout with chief competitor Coca-Cola which started marketing five flavored soft drinks a year ago.

But Teem is not the only source of new PEP energy. The $84,000,000-assets company this year added 28 bottling plants to its domestic operations. Through subsidiary Pepsi-Cola International it opened another 25 bottling plants overseas. Pepsi now serves its "light refreshment" in 80 foreign countries and according to treasurer Nufer does "about 35% of our total business overseas."

Since the start of 1958 "Pepsi has excluded from consolidated net income the unremitted profits of foreign subsidiaries." These would have added another $790,000 or 13¢ a share to reported profits in 1958 and this year the sum will be twice as high.

Masonite Builds M

Leading Hardboard Producer Boosts Capacity for Bigger Sales & Earnings

AMONG the many assets of Chicago's $84,000,000 Masonite Corp are some of the tallest redwoods in the Pacific Northwest. The company also owns more than 300,000 acres of Mississippi pine forest. But very few of the trees in this vast reserve of timberland go into the products of this leading hardboard producer. Instead Masonite keeps its forest land intact for future needs and buys its raw materials from outside suppliers.

On a recent trip to New York Masonite president John M Coates commented on this policy: "Our timber lands serve as a reserve and I see no immediate use of these reserves in the years ahead. We'll continue to purchase our raw material for making Masonite hardboard from outside suppliers."

This can be a hefty order. Last year outsiders supplied Masonite with enough wood for 1.2 billion square feet of hardboard. The company forms this hardboard under an exclusive technique developed 35 years ago by William H Mason, founder of the hardboard industry.

The Masonite steam explosion process retains the natural wood lignins (binding agents) in the raw wood even after it is reduced to fiber. This fibrous material is then reformed into panels of hardboard which are of more uniform strength and stability than natural wood planks.

Uses for Single Product

President Coates explains: "It provides a superior board which has the natural advantages of wood [light weight, handling ease] plus a built-in uniform strength [no knots or grain weak points]."

These "built-in advantages" brought company sales for the year ended August 31 to a record $71,800,000, a fat 22% above last year and almost double a decade ago. Fiscal 1959 earnings of $5,580,000 ($3.59 a share) built up a 29% increase over 1958 and were second only to the $7,177,000 of 1956 when sales totaled $61,400,000. President Coates offers modestly: "We grew up through a depression and our hardboard has continued to sell well through recessions."

A big plus behind fiscal 1959's record volume was an addition to the company's Laurel, Miss plant which went on stream in June and is now operating on a 24 hour a day, seven day a week schedule (hardboard plants must operate round-the-clock for peak efficiency). John Coates notes: "The new Laurel plant adds 20% to our overall capacity and increases flexibility in board size and thickness."

The new Laurel manufacturing unit represents a capital outlay of $20,000,000 and is the most significant part of Masonite's $22,000,000 three-year expansion and improvement program. John Coates reports "there are other major projects under consideration" but "no major project will be underway in the current fiscal year." He adds: "As a result capital expenditures for fiscal 1960 will be very substantially reduced" from the $10,800,000 spent in 1959 and $11,600,000 in 1958.

Cost Competition. But additional capacity does not necessarily insure a clear road ahead. President Coates explains: "Our hardboard sales are divided about 50-50 between the construction and industrial fields [auto, TV, hi-fi, furniture]. We have keen competition in both fields but the keenest is in the industrial business." This competition comes from such big name building materials producers as Johns-Manville and US Gypsum who produce hardboard along with a diverse line of other building products. But John Coates hopes "Masonite prices which will remain at about the same levels as last year" will more than meet the domestic competition.

Masonite must also endeavor to meet the low price of imported foreign hardboard. As John Coates explains: "Now and again foreign dumping of hardboard occurs along the Eastern seaboard. Although we don't like it, there isn't much to do except grin and bear it."

The most recent challenge comes not from other hardboard producers but from a new adaptation of aluminum for use as an exterior finish on houses. However, hardboarder Coates comments: "During the past year when aluminum siding was intensely promoted, Masonite hardboard siding sales doubled. As a result it is hard to say just what per-

cent of the market will fall to aluminum siding."

Sales Stimulus. Masonite continues to build demand for its 45 varieties of hardboard which include the familiar pegboard, hardboard siding and textured surface boards. It sponsors numerous stimulating sales projects. Example: last year it contributed new siding, wall lining and sub-floor products to an experimental house in Knoxville sponsored by the National Association of Home Builders. The house, constructed entirely with materials still in the laboratory stage of development, "created a great deal of builder interest." President Coates continues: "It's surprising how ready builders are to accept something new. The market is there. All we have to do is maintain a supply of new products to meet it."

Another favored Masonite sales tool to create consumer demand is its Model Home Plan. Last year Masonite dealers constructed some 200 homes to display Masonite products along with those of other participating manufacturers. The homes attract potential home-buyer visitors along with many others on the lookout for new ideas on how to improve and modernize their present homes.

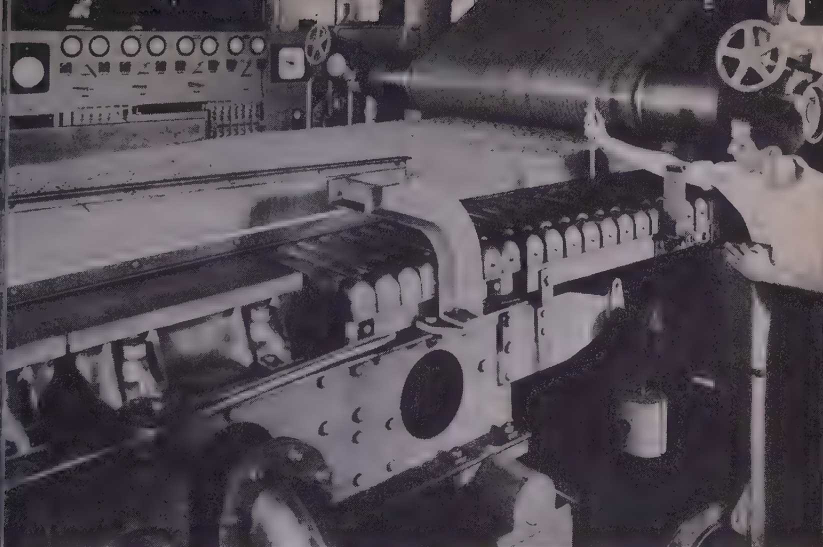
President Coates points out: "Modernization and repair offer a vast market for our product. Masonite can be used easily and is well suited to the 'do-it-yourself' market." He continues: "The seasonal factors so often afflicting the construction industry have less effect on us. When the weather turns cool our do-it-yourself man goes indoors. The time to refinish interiors is the Winter.

To reach still other market Masonite also produces Marlite, a sophisticated plastic-coated versio of its basic hardboard turned out b subsidiary Marsh Wall Product (acquired in 1948). The plastic ma terial is baked right on to the Mason ite to make Marlite which has a special stain and abrasion resistanc important in furniture, TV sets kitchen cabinets, etc. John Coate notes: "Interest and demand fo prefinished products continues t grow and we intend to be in ther meeting the demand."

Concentrated Research. Sinc Masonite is a one product company its million-a-year research progran is highly concentrated. But this con centration is aimed at diverse en uses because Masonite "is a multi use product which meets great de mand from many different indus tries." John Coates concludes: "Ther is a research advantage of concen trating our attention on widenin and improving our one product's ac ceptance."

Some recent "new use" researc results: Panelok or panels of hard board with metal lock strips for at taching shelves, cabinets or art ob jects; decorative Masonite panel with open lattice-work designs a soon-to-be-marketed (January) hardboard with a lithographed grai finish to compete with pre-finishe plywood.

These new Masonite adaptation as well as older standbys keep th company's seven domestic boar manufacturing units operating on a seven-day capacity basis. Howeve



Wood fiber mix for Masonite board

outhful-looking, 53-year-old Coates otes: "The steel strike is beginning affect our first [November] quarter sales. Shipments are not as strong s in the August quarter. The tighter noney situation in the housing inustry will also affect us. We have ready market for our board in the ight construction field but it deends on the availability of builder unds."

All these factors make predictions or fiscal 1960 difficult. However resident Coates does note "the startp expenses of the Laurel plant are behind" and if sales continue at the present rate "the company should have another year of growth in all directions."

On the Big Board Masonite's 1,500,000 common shares do not reflect the expansive mood of president Coates. They now sell at 39, only eleven times earnings and eight points below this year's high. (The alltime high of $50\frac{1}{2}$ was reached in peak profit year 1956.) Based on the current quarterly dividend rate of 30¢, the shares yield 3%. Cash dividends which were last increased in 1957 have averaged a conservative 36% of earnings over the past ten years.

But the company's 5,600 shareowners also received stock disbursements of 2% in 1956, 4% in 1957, 2% again in 1958 and 1959. President Coates thinks these distributions "will continue as the folks seem to like them."

As conservative as its dividend policy is Masonite's accounting for the unused timber reserves. Valued at $11,000,000 on company books, they are actually worth closer to five times as much. President Coates considers them "a built-in plus. Some timber must be cut to keep the woods healthy. We sell saw timber and tally a profit and at the same time

increase the value of our forest reserves as well."

A more glamorous asset inherent in Masonite forestland is oil which has been discovered in its Mississippi pine forest. Although the company itself has drilled only one well it has an interest in 35 others on its properties. Oil revenues came to a mere $174,000 in 1959 but John Coates enthuses: "With seven new wells in operation this year we expect qui a profit increase."

This will still be miniscule cor pared to hardboard. However "c income is a nice plus even though is nothing fantastic so far." He ad with a smile: "We did our own pro pecting for only one well but v struck oil. Who knows we may g more of a touch of prospecting fev yet?"

Well-Regulated Rise of Controls Compan

Unnoticed Omnipresence Key to Success Story Of Controls Maker

TO BE ubiquitous but inconspicuous is characteristic of the products of Controls Company of America. For the manufactures of this lively $21,600,000-assets outfit seldom appear before the public under the company name. Instead they come to the consumer as key controls on products sold under much more widely known labels.

Take for example the Cycle-Set Power Timer used in Whirlpool and Westinghouse automatic washing machines and slated to go on 1960 models of Hotpoint washing machines and General Electric dishwashers. This compact bundle of electric and electronic nerves sits inconspicuously behind the pushbutton panel on which milady can select her washing instructions for various laundry loads. The computer translates her orders into a perfectly timed, temperature-controlled series of washing, rinsing and drying actions, the whole sequence correctly suited to the fabric being washe

This anonymous contact with tl ultimate consumer does not both forthright 43-year-old Controls pre ident Louis Putze. Says the head the Schiller Park, Ill company: "O idea is to sell a system for co trolling a machine rather than ind vidual components."

The machines controlled by tl components in Controls systen (valves, switches, thermostats, ele tric motors, indicator lights) includ as well as home laundry equipme and dishwashers, home heating d vices, home & auto air conditione and, in a minor way, aircraft a even missiles. Largest chunk of i output goes into oil & gas heatir controls (29% of sales), follow closely by home appliance contr (28%) and refrigeration, air co ditioning and ventilating contr (23%). Aircraft and defense co ponents claim 6% and miscellaneo items 14%.

Although heating controls thus the biggest business, it is a bus ness shared with other companie

on the other hand Lou Putze claims Controls is the company which makes the biggest splash in home laundry washing machines and dishwashers.

Financially Controls Company has also been making a consistent splash. President Putze looks for 1959 sales of \$48-to-50,000,000 and earnings around \$2.25 a share "provided we don't get clobbered in the fourth quarter as a result of the steel strike." This would be a smart increase over the record \$33,000,000 volume and profit of \$1,309,000 or \$1.23 a share reported for 1958. A metering of Controls' success so far this year: nine-month sales were up more than 70% to \$37,837,000 while earnings did even better, increased to \$1.76 a share *v* 62¢ in the corresponding 1958 period.

To celebrate its expected banner year Controls Company recently joined the New York Stock Exchange (IR, November 11) while also continuing its Midwest Exchange listing (ticker symbol CTC). The Big Board debut came after a series of adjustments in the amount of common stock outstanding. In May Controls Company declared a 3% stock dividend. Then in August it made a 50% stock disbursement and subsequently sold 50,000 new shares. At the same time some stockholders sold 142,000 shares from their own holdings. The result: 1,122,000 shares now outstanding in the hands of some 4,100 shareholders.

Controls common has also shown a sharp increase from a low of 7 in 1956 to a recent alltime high of 36⅞. It now trades around 35. The company has maintained its quarterly dividend of 20¢ a share through all the increases in shares, has thus granted a 50%-plus boost in cash payments to the stockholder.

Fast Start. Any way you figure it, Controls Company has come a long way in a short time. Though its earliest ancestor dates from 1924, Controls itself came to life in 1956. It resulted from the merger of electric switch-maker Soreng Products Corp (once a Sears, Roebuck affiliate) and oil & gas regulator company A-P Controls Corp. At that time the new company had eight manufacturing plants and a combined working area of some 565,000 square feet. Now three years and three major acquisitions later (with yet another pending) it has 18 plants including two in Canada and one in Holland and over 900,000 square feet of working space. In the 1956-58 period sales jumped 20%, earnings 15%. Much of this sales growth comes from what Lou Putze calls "cross fertilization of customers." With each acquisition Controls picks up new customers who are also potential buyers of its existing lines.

There has also been growth profitwise. Even with the extra shares issued for acquisitions, the share earnings have increased each of the past two years.

Lou Putze's ascent has been as remarkable as that of his company. A 1938 Purdue engineering graduate, he trained as a banker with Harris Trust in Chicago, served in War II as an ordnance officer. His outstanding military record caught the attention of the then Sears, Roebuck chair-

man Robert E Wood who offered him the presidency of Sampsel Time Controls Inc, a predecessor of Soreng Products. He became successively president of Soreng and, at age 40, president of newly set-up Controls Company. Lou Putze, however, prefers to talk about his co-workers. One such is vice-president Donald Strathearn, principal engineer on the new Cycle-Set Power Timer (see picture, pg 19).

Acquisition Agenda. First Control growth-spurring acquisition was the January 1958 purchase of Hetherington Inc for 65,000 shares. This Folcroft, Pa company manufactures electrical components for guided missiles, computers and aircraft.

Next Breese Burners, a Santa Fe, NM developer of vaporizing oil burners, was bought for $120,000 cash in mid-1958. Later that year the inventories, tooling, patents and trademarks of electric motor maker Redmond Company of Owosso, Mich and its Canadian affiliate were added for $1,700,000. Redmond's five US manufacturing plants were leased at the same time under a ten-year option to buy.

Controls paid for Breese and Redmond with a $2,350,000 long-term loan from three banks. (All told there is $4,600,000 of long-term debt ahead of the common stock.) Then "in order to devote our full funds and talents to the controls business," the company just a few weeks ago sold most of the assets of Milwaukee Valve Company, a small wholly-owned subsidiary which had been brought into the merged company with A-P Controls. Just announced is the planned acquisition (for 110,000 Controls shares) of Electrosnap Corp, Chicago precision switch maker with 1958 sales of $3,178,000.

Young and feeling its growing muscles, Controls Company is looking ahead in a number of directions. Two of the biggest items on the agenda are research & development and foreign expansion.

The company will spend an estimated $2,250,000 on research, engineering and product development this year, up from $1,800,000 in 1958. While most Controls installations do their research locally, the apple of Lou Putze's eye is the 10,000-square foot plant now being built in Tempe, Ariz for its newly created subsidiary Solid State Electronic Controls Inc which will research and produce "the controls of the future." Silicon solar cells used for these controls can do such deeds as transfer light into electric energy and alternating current into direct current—"something very important in computers and missiles." Lou Putze believes "many things we make now—switches, relays and timers, for instance—will be replaced by solid state controls."

Subsidiary Hetherington is one of a number of electronic companies exploring the broadening field of electro-luminous materials. Its special emphasis is on indicator lights in control panels of aircraft or other intricate mechanisms. Bulbs in indicator lights have a way of going out, even if the operation they tell about —like the lowering of the airplane's landing gear—has actually taken

place. Hetherington uses plastic substances which light up invariably when electric current is supplied. They have already developed green, orange and white lights and are "three-quarters of the way to a solution for producing red—and we don't mean pink or orange," adds perfectionist Putze.

Meantime the company is hard at work on the design of a complete "packaged" controls system for automatic vending machines, a down-to-earth field which Lou Putze says is going to be "a big one for us."

Global Growth. Foreign, especially European, expansion is getting top Controls Company attention now. Not counting a generous amount from Canada, foreign sales come to about 10% of Controls business and contribute a larger percentage of profits. "We expect foreign sales to be about 20% in three-to-five years, even though our domestic business will be expanding all the while."

Controls has had a plant in Nijmegen, Holland since 1954. The 50,000-square foot, 500-employe unit makes oil control valves, switches and water mixing valves for heating and washing machine systems. Recently Controls formed Controls AG, a Swiss subsidiary which will supervise European operations and ultimately preside over the company's research & development program in Europe. In addition the Swiss unit has joined with Zapparoli Serena SA of Brazil to set up a South American enterprise to make Controls Company products in facilities owned by Controls and Zapparoli. It will sell to subsidiaries and affiliates of Controls Company's US customers.

Controls' Strathearn and Putze

Soon Controls Company will announce plans for a second European plant. Location and exact size must remain secret until plans receive the necessary OKays from Controls directors and the host country's government. But Lou Putze says: "We don't want to let the opportunity slip away from us. In the European Common Market people have nowhere near the number of appliances or amount of automatic heating equipment we have here. There is a natural market for it."

Busy Lou Putze, when not occupied with making money for Controls Company, commutes to his 280-acre farm near Spring Valley, Ill. There he raises cattle and hogs, takes pleasure in riding and hunting with his wife and four young children. But he carries his business habits home with him: "Our farm has never lost money—even when we sold hogs at $11."

New Trends At McKesson & Robbins

Drug Distributor Looks to New Profits In Growing Chemicals Field

IT IS NOT OFTEN a company can claim the distinction of having no counterpart in the American business world. One of these select few is McKesson & Robbins Inc. As the only nationwide wholesaler of drugs, chemicals and liquor, the $217,000,000-assets Manhattan-based company has no peer. But it does not hesitate to venture into more populated business areas: manufacture of over 250 proprietary drug items.

Drug distribution accounts for 64% of McKesson & Robbins volume and 74% of profits. The company supplies more than 33,000 retail druggists—almost two-thirds of all the drugstores in the US—with both the ethical and proprietary products of virtually every drug maker in the land. Relatively speaking, McKesson's own role as a drug manufacturer is small: 2% of total volume. But this nonetheless means a $12,000,000 a year business in such proprietaries as Bexel vitamins, Yodora deodorant, Calox toothpowder, Tartan suntan lotion. They are produced at a modern plant in Bridgeport, Conn.

Liquor, another of McKesson's nationwide distribution efforts, accounts for an additional 27% of volume. But because sales figures include the extremely high Federal and state excise taxes the liquor business contributes only 15% of earnings. The company has a customer list of more than 60,000 package stores, taverns, restaurants and clubs. It serves all four major US distillers and many of the smaller ones.

But unlike drug distribution where products of many different makers are distributed within the same area, the McKesson & Robbins liquor department works on the franchise principle. It distributes the brands of only one major distiller in any given area (though it may also handle one or more of the smaller firms in the same area). It also has exclusive distribution rights to Chapin & Gore bourbon.

Another shot of the McKesson & Robbins liquor lineup is imports. The giant wholesaler is sole importer and distributor of Lamplighter gin, Martin's and Highland Queen scotch, Galliano liqueurs, Ronrico rum, Bertani wines and other exclusive items.

The fastest growing facet of McKesson's role as a distributor is heavy and fine chemicals. McKesson warehouses stock some 700 products of more than 70 leading chemicals manufacturers which are shipped on demand to local customers in less-than-carload lots. This business now accounts for 9% of McKesson sales and 11% of its profits.

Such vast distribution doings call for an equally vast warehouse network. From coast to coast the company maintains 84 drug warehouses, 45 liquor distribution centers and 84 chemical units. About half of the latter consist of rented space in pub-

c warehouses. This practice is followed in areas where there is some call for chemical supplies but local industry demands are not heavy enough to warrant full warehouse operations.

Druggist and Professor. Chairman and chief executive officer of this super-seller is 64-year-old George Van Gorder. The longtime drugman came to McKesson & Robbins as a vice president back in 1928 when the family firm of Hall-Van Gorder of Cleveland was merged into the bigger company. An avid trout fisherman and vegetable gardener, George Van Gorder became president in 1944 and assumed his present role in 1955.

Present president is onetime Ohio State professor Herman Christian Nolen who joined the company in 1947 as vice president in charge of drug merchandising. He was made executive vice president in 1953, president in 1956. A master marketeer and also a good golfer (handicap: 11-to-12), 58-year-old Nolen serves in addition to his McKesson duties as professor of pharmaceutical sales management at Long Island University. He has authored a number of marketing texts: *Chain Store Problem, Drug Store Management* and *Sales Management.*

Drama in Olden Days. McKesson's wholesale role is venerable as well as unique. It dates back to 1833 when founders John McKesson and Charles M Olcott (Daniel Robbins joined in 1853) first opened shop as drug and chemical importers and wholesalers at 145 Maiden Lane in downtown Manhattan. Since druggists in the youthful nation had not yet acquired the compounding talents of their European counterparts, there was then a great need for the wholesaler and importer to also act as compounder. Thus originated McKesson's own proprietary drug manufacture.

The modern McKesson, however, is the result of the 1928 merger of more than 15 leading wholesale drug houses. Four years previously McKesson & Robbins had liquidated all its wholesaling facilities, continued only a small pharmaceutical manufacturing operation in Brooklyn. In 1926 this company was bought up by the fabulous F Donald Coster who ingeniously put together the $100,000,000 multi-merger which brought McKesson back into distribution. But unfortunately on the side he managed to swindle the company out of some $3,000,000 through manipulation of inventory records. When the embezzlement was discovered in 1938 (and Coster unmasked as ex-convict Philip Musica) McKesson & Robbins was plunged into a reorganization from which it emerged in 1941 with a 1-for-4 reverse split for the common (now worth three times the adjusted high under Musica).

Since that time the company has done a masterful job of living down the unfortunate experience and at the same time has built up an esteemed and sound business on its reestablished wholesale drug base.

McKesson's liquor business which it entered in 1933 was a natural outgrowth. Explains drugman Van

First leg of McKesson retail route

Gorder: "We've been historically in the liquor business through the old time druggist who used spirits for medicinal purposes. During prohibition we were one of the few who were allowed to maintain our distribution facilities." In 1944 when the liquor segment grew too big for drug division handling, "we began to separate it."

The following year McKesson also decided chemical activities had grown so big they needed a separate division. George Van Gorder says: "The major growth in wholesale chemicals distribution has just come in the last ten years. So far there are not many established wholesalers in this business. The chemicals manufacturers themselves serve all the big companies which use chemicals. But it is a natural for us. As industry grows and spreads out, the chemical industry is having increasing trouble servicing all around. The manufacturer has found that small shipments are too costly to handle. He needs wholesaling."

Modern Prosperity. This widespread wholesaling operation has produced a long & prosperous tradition with sales setting a new record each year since 1938. In the last decade alone McKesson & Robbins sales have almost doubled from $356,600,000 in the year ended March 1949 to $614,000,000 in fiscal 1958/9 ("we operate on a March fiscal year since that is the time our inventories are at their low point").

From the looks of things this longstanding sales tradition will continue. Chairman Van Gorder reports "sales so far this year are 11% ahead and unless business generally goes to pieces, the rest of the year should be good." Specifically, sales for the six months ended September came to $326,000,000 compared to $295,000,000 last year.

Profitwise the McKesson picture has not shown quite the same glow. The distribution business is a high volume, low margin one so any increase in costs is felt quite keenly. After the early postwar high of $9,700,000 or $2.69 a share (adjusted) scored in 1946/7 McKesson profits idled in the $7-to-9,000,000 range through 1955/6 despite the continual acceleration in sales. Then the picture changed somewhat. Fiscal 1956/7 showed a 19% jump in net income over the previous year, slightly offset by a 6% decrease in 1957/8. But then came a 9% increase in the fiscal year ended in March for a new record of $10,-

820,000 or $2.84 a share. So far this year McKesson appears well ahead in the battle against steadily rising costs. George Van Gorder points out "our share earnings are about 25% ahead this year [$1.40 *v* $1.13 for the September half] and if our volume keeps up we should do very well."

For the full year neither he nor Herm Nolen likes to do too much crystal ball gazing. As just one imponderable, George Van Gorder cites the steel strike and its "accumulating effect on all business." However president Nolen does point out: "If our rate of increase continues as it is, we would earn more than $3.35 a share," the figure arrived at by many Wall Streeters.

Master Methods. One big reason for the new look in the McKesson & Robbins profit picture has been its big economy program to cut overhead and handling costs. Herman Nolen puts it flatly: "We now have fewer people but better methods." A master merchandiser, he has personally brainchilded many new inventory handling methods which have done much to reduce costs for the big wholesaler. He describes one of them: the check, pick, price system. "We used to select the merchandise for an order, have it checked against that order and then priced in three separate operations with three different handlers. And after all that it had to be packed. Now we combine everything. The order-filler selects the stock off the shelf, prices the order right there and puts it into its packing case ready for shipment. The next order-filler along the assembly line checks the first order-filler's work and then picks and prices his part of the order and so on." Other McKesson warehouse economies: a simplified coding system; the returnable tote box for city deliveries. And within the office itself: about 85% of company sales in urban areas are now done over the telephone, a big saving in sales help.

Aid for Customers. McKesson prosperity is also due in no small part to the health of its customers. President Nolen philosophizes: "As long as we have prosperous and strong customers we do well." Putting this philosophy into practice is McKesson's extensive program to bolster the fortunes of its No 1 customer, the retail druggist. To meet and help stave off the ever increasing competition from the chain drug stores and supermarkets the company since 1952 has helped modern-

McKesson's Van Gorder and Nolen

ize 10,000 retail drug stores or what it figures is "one out of every five drug stores in the US." The procedure is simple. A McKesson modernization specialist—there is one "at the call of druggists in every area served by the company"—gets together with the druggist, suggests and goes over modernization plans with him, helps arrange financing with the local bank. Result: a happy satisfied McKesson customer with greatly improved facilities to help make his own customers both happy and satisfied.

Another facet of retail trade promotion is McKesson's extensive training program, conducted to help the retailer improve his sales and public relations technique. To date more than 100,000 drug store personnel have taken the McKesson courses.

The prescription has certainly paid off. President Nolen cites just a few of the results: "The retail druggist is one of the strongest retailers in the business with the lowest number of failures in all retailing. There is a larger number of independents per unit than in any other major segment of retailing."

The McKesson program has also paid off for the company's 16,800 common stockholders who have seen their stock almost double in the last year. In July the stock was split 2-for-1 and the quarterly dividend hiked 7% to 37½¢. The 4,000,000 common shares now trade on the Big Board around an alltime high of 46.

Looking to the future the McKesson & Robbins execs consider chemicals "our fastest growing department." In addition to internal growth from its own operations the wholesaler has been helped by two chemical acquisitions. In 1958 it acquired Merchants Chemical Company, a large Eastern wholesaler with ten branches. In July the $6,000,000 purchase of Barada & Page of Kansas City (twelve branches) gave McKesson a big foothold in the growing South and Southwest and puts the company well on its way to an avowed chemicals sales goal of $100,000,000 in the next 3-to-5 years."

As for the overall future of McKesson & Robbins, chairman Van Gorder feels: "We are specialists in the field of distribution and distribution is more important to the economy now than ever before. As production increases and more & more new products enter the market the manufacturer has to consider how to get the goods to the consumer most economically. We can help him do that."

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ACF FLIGHT PATTERN

This is not a model aircraft show but a display set up by the Nuclear Products-Erco division of ACF Industries to demonstrate the range of this veteran rail equipper's participation in the air age. ACF has designed and built electronic pilot & crew training devices for each of these planes during the past ten years. Held aloft is the latest addition to the ACF-trained armada: the Republic F-105 fighter-bomber for which ACF is building four full-mission-capability simulators under two contracts totaling $4,200,000. Arrayed on the table are older Air Force and Navy clients for these ACF training devices. They include (from rear to front) the Douglas A3D Skywarrior, Grumman S2F Tracker, Douglas RB66 and F4D Skyray, North American F-86 Sabre and Grumman F9F Panther in the left row; the Goodyear ZSG-4 Navy blimp, Douglas AD-5N Skyraider, Lockheed F-104 Starfighter and Boeing KC-135 tanker massed in the center; and the Martin P5M Marlin, Lockheed P2V Neptune, Martin B-57, North American FJ-4 Fury and Grumman F9F Cougar on the right flank.

ACF also makes rocket engine mounts and cases, missile carriers and launchers, aircraft navigation systems etc. However electronics is but one of the tracks the No 2 railway car builder has travelled to detour the cyclical rail equipment business. Other major activities include valves for the oil & gas industries and auto equipment. The company also runs a profitable tank car leasing arrangement.

Hard hit by recession cutbacks in both the rail and auto industries ACF sales for the year ended April 1959 dropped 39% to $178,700,000 while net income fell to $1,710,000 ($1.21 a share) from $7,850,000 ($5.54). So far this year the company has done considerably better. For the July quarter it chalked up a $1,960,000 profit compared to a loss of $553,000 the previous year. However the long 116-day steel stoppage is expected to shave some fat from previous estimates of $4.50-to-$5 a share for the full year.

ONWARD AND UPWARD

There was a time when people said, "What goes up must come down." But now we send missiles and rockets careening into space with no expectation of ever seeing them again. The law of gravity seems to have been repealed—at least under certain circumstances.

Actually, even before the modern missile age, there was something that kept going upward over the years: the stock market. True, it faltered from time to time—badly in 1929. But over the long pull, from the time of our country's founding down to the present day, the trend of our economy has been upward.

Not every company that people have put their money into has prospered. Among investors, there have been losers as well as gainers. But most people who have invested for the long pull have prospered most of the time. On the average, they have seen their holdings increase in value as prices have risen. They have earned a return on their money in the form of dividends. And they have protected their invested funds from the inroads of inflation.

The moral? Write your own.

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